

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 26, 2002

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building
1350 Pennsylvania Ave., N.W., 6th Floor
Washington, D.C. 20004

Dear Mayor Williams:

We are publishing this Management Implication Report (MIR 02-A-01) to advise District agencies of the consistent and pervasive problems that audits have disclosed concerning the District's procurement practices. Our Office, the U.S. General Accounting Office, contract auditors, and the auditors responsible for the Comprehensive Annual Financial Report and related financial reports issued a total of 174 audit reports on District operations covering numerous agencies from FY 2000 through 2002. Of this total, 28 reports (see enclosed Exhibit for listing) focused on one or more key procurement areas such as the adequacy of competition, contract pricing, receipt of deliverables and payment, contract administration, and contract funding. Agency heads should be mindful that these areas must be properly managed to prevent further occurrences of the conditions outlined in this MIR.

Collectively, the audits found numerous violations of procurement regulations for all 3 years reviewed. In our procurement audits, we frequently identified the following causes of noncompliance with procurement laws and regulations:

- failure to establish agency procurement guidance for implementing legal and regulatory requirements;
- insufficient number of experienced procurement personnel;
- little or no effective contract administration;
- lack of effective contract administration policies and procedures; and
- lack of procurement training.

With more than \$1 billion in goods and services procured annually, and given the known weaknesses, the likelihood of waste, abuse and internal control breakdowns is significant. Poor procurement practices are costly and often result in the District paying more for the goods and services it needs to run a city of this size and complexity. Further, the absence of effective competition, through a fair and open bidding process, results in overpricing, substandard products and services, and the risk of adverse legal action. In addition, there is the risk of violating Anti-Deficiency Act provisions and, in a worst-case scenario, a situation could arise

where sufficient funds would not be available for the District to meet all of its payment obligations.

We have synopsised the findings into three major categories: 1) noncompliance with procurement laws and regulations; 2) potential anti-deficiency act violations; and 3) administrative, procedural, and management deficiencies. The findings include the frequency of occurrence (in parentheses) from the 28 reports on procurement practices over the last 3 fiscal years,

1. Noncompliance with Procurement Laws and Regulations

A total of 9 reports contained findings related to 30 instances of noncompliance with procurement laws and regulations. We issued 6 reports (covering 6 agencies) that addressed findings concerning 23 of the 30 instances. The areas of noncompliance are shown below:

- Improper Sole-Source Procurements (4)
- Services Performed Outside the Scope of the Contract (3)
- Contract Amounts Split to Stay Under Competition Thresholds (2)
- Unauthorized Personnel Exercising Contract Authority (2)
- Unjustified Emergency Procurements (2)
- Other Individual Instances of Noncompliance (17)

2. Potential Anti-Deficiency Act Violations

There were six reports that addressed eight potential violations of the Anti-Deficiency Act. The Office of the Inspector General (OIG) issued three of the six reports. The eight occurrences, based on the type of violation, are shown below:

- Contract Award Amount Exceeded Available Funding (3)
- Funding Authorization and Approval Not Obtained (1)
- Misrepresentation of Funds Availability (1)
- Encumbrances Not Recorded Timely (1)
- Unauthorized Purchases Not Ratified (1)
- Current Year Funds Used to Pay for Goods/Services Received in Prior Year (1)

3. Administrative, Procedural, and Management Deficiencies

Auditors issued 18 reports that included 37 administrative, procedural, or management deficiencies. The OIG issued 12 of the reports that contained 31 of the deficiencies. The types of reported deficiencies are noted below:

- Inadequate Contract Monitoring (7)
- Procurement Staff Provided with Inadequate Training (5)
- Lack of Contract Administration Policies and Procedures (5)
- Inadequate Oversight and Management Controls (3)
- Other Administrative, Procedural and Management Deficiencies (17)

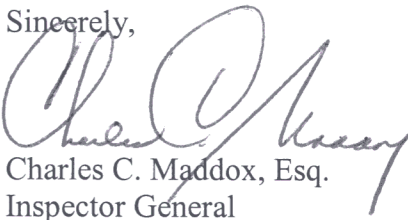
Agencies that play an integral role in procuring the bulk of the District's goods and services should heed the lessons of past audits and focus their energy on tightening procurement controls and processes. Our future audits will seek to probe deeper into recurring procurement problems, both from a structural and process basis, in order to examine ways to improve the efficiency and effectiveness of procurement services and compliance with regulations. With this in mind, our planned procurement audits will focus on:

- internal controls relative to procurement, contract administration and contract funding, including the separation of duties;
- placement of contract administration functions, including monitoring and oversight;
- procurement personnel responsibilities and accountability;
- involvement of contracted services in the District's procurement process; and
- other areas of the procurement process.

This MIR provides agency heads with information about conditions that, if not, managed, could occur in their agencies. It is imperative that agency heads have the information necessary to detect, correct, and prevent occurrences should such conditions exist or arise in their own agencies. Therefore, we urge managers to consciously design procurement strategies that maximize every dollar spent, consistent with governing procurement rules and regulations.

Should you have questions about this MIR, please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles C. Maddox, Esq.
Inspector General

CCM/ws

Enclosure

cc: See Distribution List

DISTRIBUTION:

The Honorable Anthony A. Williams, Mayor, District of Columbia (1 copy)
Mr. John A. Koskinen, City Administrator, District of Columbia (1 copy)
Mr. Herbert R. Tillery, Deputy Mayor for Operations (1 copy)
Mr. Eric Price, Deputy Mayor for Planning and Economic Development (1 copy)
Ms. Carolyn N. Graham, Deputy Mayor for Children, Youth, Families and Elders (1 copy)
Ms. Margret Nedelkoff Kellems, Deputy Mayor for Public Safety and Justice (1 copy)
Mr. Kelvin J. Robinson, Chief of Staff, Office of the Mayor (1 copy)
Mr. Tony Bullock, Director, Office of Communications (1 copy)
The Honorable Linda W. Cropp, Chairman, Council of the District of Columbia (1 copy)
Ms. Phyllis Jones, Secretary to the Council (13 copies)
The Honorable Vincent B. Orange, Sr., Chairperson, Committee on Government Operations,
Council of the District of Columbia (1 copy)
Dr. Natwar M. Gandhi, Chief Financial Officer (4 copies)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Mr. Jacques Abadie, Chief Procurement Officer, Office of Contracting and Procurement
(4 copies)
Mr. Jeffrey C. Steinhoff, Managing Director, FMA, GAO (1 copy)
Ms. Jeanette M. Franzel, Director, FMA, GAO (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives (1 copy)
Mr. Jon Bouker, Office of the Honorable Eleanor Holmes Norton (1 copy)
The Honorable Joe Knollenberg, Chairman, House Subcommittee on D.C. Appropriations
(1 copy)
Mr. Jeff Onizuk, Administrative Assistant, Office of Congressman Knollenberg (1 copy)
Ms. Carol Murphy, Staff Assistant, House Subcommittee on D.C. Appropriations (1 copy)
The Honorable Chaka Fattah, House Committee on D. C. Appropriations (1 copy)
Mr. Tom Forhan, Minority Staff Director, Office of the Honorable Chaka Fattah (1 copy)
The Honorable Connie Morella, Chairman, House Subcommittee on D.C. Government
Reform (1 copy)
Mr. Russell Smith, Staff Director, House Subcommittee on D.C. Government Reform (1 copy)
Ms. Theresa Prytch, Professional Staff Member, Senate Subcommittee on D.C. Government
Reform (1 copy)
The Honorable Richard Durbin, Chairman, Senate Subcommittee on D.C. Government
Oversight (1 copy)
Ms. Marianne Upton, Staff Director, Senate Subcommittee on D.C. Government Oversight
(1 copy)
The Honorable Mary Landrieu, Chairman, Senate Subcommittee on D.C. Appropriations
(1 copy)
Ms. Kate Eltrich, Staff Director, Senate Subcommittee on D.C. Appropriations (1 copy)
Mr. Stan Skocki, Legislative Assistant, Senate Subcommittee on D.C. Appropriations (1 copy)
Mr. Charles Kieffer, Clerk, Senate Subcommittee on D.C. Appropriations (1 copy)
Agency Heads

**EXHIBIT: LIST OF AUDITS CONTAINING PROCUREMENT
RELATED/CONTRACT FINDINGS FOR FYS 2000-2002**

FY 2000

1. OIG-20-99PO, Audit of Procurement Activities, Office of Contracting and Procurement, July 27, 2000
2. OIG-02-02MA, Review of Department of Human Services and the District of Columbia General Hospital Contracts With a Selected Vendor, September 15, 2000
3. OIG-03-99GA, Audit of the District of Columbia Public Schools Facilities' Capital Improvement Program, March 17, 2000
4. OIG-24-99MA, Audit of Surplus Telecommunication Equipment, February 15, 2000
5. OIG-2a-99DB, Management Letter for the Home Purchase Assistance Program for FYs Ended September 30, 1997, 1996, and 1995, December 20, 1999
6. G K & A, Audit of Financial Statements for FYs 1999 and 1998, Young Technocrats Math and Science Public Charter School, April 7, 2000
7. Owusu & Company, CPAs, DC Public Schools, Audit of Federal Awards, October 8, 1999

FY 2001

8. OIG 00-02-13JB, Audit of DC Health and Hospitals Public Benefit Corporation, March 29, 2001
9. OIG MAR 01-A-01, Management Alert Report on Procurement Practices at the Public Benefit Corporation, November 21, 2000
10. OIG 00-2-8GA, Audit of the District of Columbia Public Schools Special Education Program, November 22, 2000
11. OIG 00-2-11FB, Audit of Controls Over Information Technology Equipment at the District of Columbia Fire and Emergency Medical Services Department, August 22, 2001
12. OIG MIR 01-A-01, Management Implication Report on Federal Acquisition Services for the Technology Program, October 30, 2000
13. GAO-01-963, District of Columbia: D.C. Public Schools Inappropriately Used Gas Utility Contract for Renovation, September 28, 2001
14. Williams, Adley & Company, LLP, Report on the Training Programs within the Department of Employment Services, April 17, 2001
15. Williams, Adley & Company, LLP, Audit of the Unemployment Benefit System, The District's On-Line Compensation of Employment Services, September 17, 2001
16. KPMG, LLP, Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, January 26, 2001
17. KPMG, LLP, Audit of General Purpose Financial Statements of the Government of the District of Columbia, March 31, 2001

**EXHIBIT: LIST OF AUDITS CONTAINING PROCUREMENT
RELATED/CONTRACT FINDINGS FOR FYS 2000-2002**

FY 2002

18. OIG 01-1-20ER, Audit of Procurement Activities at the Washington Convention Center Authority, June 19, 2002
19. OIG 01-1-04MA, Audit of the Office of Contracting and Procurement Training Program, June 28, 2002
20. OIG 01-2-08FA, Audit of the District of Columbia Metropolitan Police Department Fleet Maintenance Contract, December 17, 2001
21. OIG 01-1-27CK, Agency-Wide Review of Selected Functions Within the Department of Employment Services, April 11, 2002
22. OIG 01-2-16KA, Audit of Selected Functions at the District Department of Transportation, (draft report issued July 23, 2002)
23. OIG 02-1-15GA, KPMG, LLP, Report on Compliance and on Internal Controls Over Financial Reporting, August 12, 2002
24. OIG 02-1-12MA, District of Columbia Management Letter for FY 2001, April 11, 2002
25. OIG 02-1-16GA, District of Columbia Public Schools Management Letter, August 12, 2002
26. GAO-02-56R, GSA's Guidance and Oversight Concerning Area-wide Utility Contracts, December 17, 2001
27. GAO-02-628T, District of Columbia: D.C. Public Schools' Modernization Program Faces Major Challenges, April 25, 2002
28. GAO-02-815R, District of Columbia, Planned Funding and Schedule for D.C. Public Schools' Modernization Program Are Unrealistic, July 25, 2002